



Nebraska Sales and Use Tax NONPROFIT ORGANIZATIONS Spring 2012

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This PowerPoint handout is used for training purposes in conjunction with the oral presentation given by Department training staff.

It is not intended to be a stand-alone document.

It is not an information guide, nor does it carry regulatory or statutory authority.

Nebraska tax statutes, regulations, information guides, and other resources are available at www.revenue.ne.gov.

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NEW CHANGE IN THE NEBRASKA SALES AND USE TAX DUE DATE

The sales and use tax due date will change from the **25th of the month** to the **20th of the month**.

This change will take effect:

- For monthly filers, with the October return due on November 20, 2011;
- For quarterly filers, with the 4th quarter return due on January 20, 2012; and
- For annual filers, with the 2011 annual return also due on January 20, 2012.

This change applies to the
Nebraska and Local Sales and Use Tax Return, [Form 10](#),
and the Business Nebraska and Local Use Tax Return, [Form 2](#).
Nebraska and County Lodging Tax and Tire Fee returns
remain due on the 25th of the month.

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THE DEPARTMENT IS GOING PAPERLESS!

- Printing and mailing of tax forms has been reduced, and in some cases, eliminated.



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TODAY'S AGENDA

1. Overview of Sales and Use Tax
2. The IRC § 501(c) Federal Exemption
3. Nonprofits that are Exempt From Sales and Use Tax
4. When Nonprofits Make Sales

1. OVERVIEW OF 1A. SALES TAX & 1B. USE TAX

1A. OVERVIEW OF SALES TAX

- What is a **sales transaction**?
 - Sales tax is calculated on the **gross receipts**.
 - **Delivery location** determines the rate of local tax.
 - Retailers must **collect and report sales tax or document** why they didn't.
- What is **use tax**?

1A. OVERVIEW OF SALES TAX

A **SALE** is

- the transfer of title or possession,
- of an item or taxable service,
- for consideration.

1A. Overview of Sales Tax (continued)

SALES TAX is

- a transactional tax,
- based on the transaction,
- rather than the item sold.

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1B. Overview of Use Tax (continued)

- Often due when purchases are made from an **out-of-state seller**
 - Internet, catalog, mail order
 - Magazines and journals by subscription
- Due when the business withdraws **tax-free inventory** for business or personal use, or are later donated to a nonprofit.

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1B. Overview of Use Tax (continued)

Use tax and sales tax have these things in common -

- They are imposed on the same transactions.
- They have the same exemptions.
- They are calculated at the same rate.
 - Where delivery occurs
 - OR
 - Where first usage in Nebraska takes place.

NOTE: Entities exempt from payment of sales tax are also exempt from payment of use tax.

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1B. Overview of Use Tax (continued)

- Often due when purchases are made from an **out-of-state seller**
 - Internet, catalog, mail order
 - Magazines and journals by subscription
- Due when the business withdraws **tax-free inventory** for business or personal use, or are later donated to a nonprofit.

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1. Overview of Sales & Use Tax (continued)

REPORTING SALES AND USE TAX

- Monthly, Quarterly, and Annually
- Sales and Use Tax [Form 10](#)
- Use Tax [Form 2](#)

*Don't forget the change in the due dates!
([slide 3](#))*

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2.

THE IRC § 501(c) EXEMPTION

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2. THE IRC § 501(c) EXEMPTION

- Internal Revenue Code (IRC) § 501(c) provides for a **federal income tax exemption**.
- An organization with IRC § 501(c) status is also exempt from **Nebraska income tax**.

*Organizations with unrelated business income
should refer to www.revenue.ne.gov.*

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2. IRC § 501(c) Exemption (continued)

- IRC § 501(c) status **DOES NOT EXEMPT** a nonprofit organization (nonprofit) from Nebraska **sales or use tax**!
- Nebraska allows certain types of entities to obtain a sales and use tax exemption number.

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3. NONPROFITS THAT ARE EXEMPT FROM SALES AND USE TAX

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3. NONPROFITS THAT ARE EXEMPT FROM SALES AND USE TAX

- A qualifying nonprofit must apply for an exemption number by filing a [Form 4](#).
- Once assigned an exemption number, the nonprofit may make purchases of taxable items for its own use without paying sales or use tax.

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3. Nonprofits Exempt From Sales & Use Tax

(continued)

- When making tax exempt purchases, the qualified nonprofit must give the seller a Nebraska Resale or Exempt Sale Certificate, [Form 13](#), Section B.

Refer to the
[Nebraska Taxation of Nonprofit Organizations information guide](#)
for additional information.

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[Form 13](#), Section B

Nebraska Department of REVENUE		Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption		FORM 13
NAME AND MAILING ADDRESS OF PURCHASER		NAME AND MAILING ADDRESS OF SELLER		
Name		Name		
Street or Other Mailing Address		Street or Other Mailing Address		
City State Zip Code		City State Zip Code		
Check Type of Certificate <input type="checkbox"/> Single Purchase <input type="checkbox"/> Blanket If blanket is checked, this certificate is valid until revoked in writing by the purchaser.				
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason:				
Check One <input type="checkbox"/> Purchase for Resale (Complete Section A) <input type="checkbox"/> Exempt Purchase (Complete Section B) <input type="checkbox"/> Contractor (Complete Section C)				
SECTION B—Nebraska Exempt Sale Certificate				
The basis for this exemption is exemption category (Insert appropriate category as described on reverse of this form.)				
If exemption category 2 or 5 is claimed, enter the following information:				
Description of Item(s) Purchased		Intended Use of Item(s) Purchased		
If exemption categories 3 or 4 are claimed, enter the Nebraska Exemption Certificate number: 05-				
If exemption category 6 is claimed, seller must enter the following information and sign this form below:				
Description of Item(s) Sold	Date of Seller's Original Purchase	Was Tax Paid when Purchased by Seller?	Was Item Depreciable?	
		<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	

For more detailed information, refer to the [Form 13 instructions](#).

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4. WHEN NONPROFITS MAKE SALES

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4. WHEN NONPROFITS MAKE SALES

- Even if a nonprofit is exempt from paying sales tax, it is the retailer of the items it sells and must collect state and local sales taxes.
- A nonprofit making taxable sales must obtain a sales tax permit by completing a Nebraska Tax Application, [Form 20](#).

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4. When Nonprofits Make Sales (continued)

- The nonprofit may purchase tax exempt any items it will resell.
- The nonprofit will issue a [Form 13](#), Section A, to the seller in order to purchase items tax exempt for resale.

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[Form 13](#), Section A

Nebraska Department of REVENUE		Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption <small>• Read instructions on reverse side/see note below</small>		FORM 13
NAME AND MAILING ADDRESS OF PURCHASER		NAME AND MAILING ADDRESS OF SELLER		
Name		Name		
Street or Other Mailing Address		Street or Other Mailing Address		
City	State	Zip Code	City	State
Check Type of Certificate				
<input type="checkbox"/> Single Purchase <input type="checkbox"/> Blanket If blanket is checked, this certificate is valid until revoked in writing by the purchaser.				
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason:				
Check One <input type="checkbox"/> Purchase for Resale (Complete Section A) <input type="checkbox"/> Exempt Purchase (Complete Section B) <input type="checkbox"/> Contractor (Complete Section C)				
SECTION A — Nebraska Resale Certificate				
Description of Item or Service Purchased				
I hereby certify that the purchase, lease, or rental of from the above seller is exempt from the Nebraska sales tax as a purchase for resale, rental, or lease in the normal course of our business, either in the form or condition in which purchased, or as an ingredient or component part of other property to be resold.				
I further certify that we are engaged in business as a: <input type="checkbox"/> Wholesaler <input type="checkbox"/> Retailer <input type="checkbox"/> Manufacturer <input type="checkbox"/> Lessor				
of Description of Product Sold, Leased, or Rented				
and hold Nebraska Sales Tax Permit Number 01- If None, State Reason				
or Foreign State Sales Tax Number State				

For more detailed information, refer to the [Form 13 instructions](#).

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4. When Nonprofits Make Sales (continued)

Sales made by nonprofits may include:

- Admissions
(charges for the right to have access to, or use a place where amusement, entertainment, or recreation is provided)
- Auctions
- Car washes
- Fireworks
- Garage sales
- Prepared food

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4. When Nonprofits Make Sales (continued)

When items are sold at fund-raising events:

- Separately state the fair market value if a donation was included;
- Collect Nebraska and local sales taxes on the fair market value; and
- If not stated separately, collect sales tax on the total amount.

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4. When Nonprofits Make Sales (continued)

EXAMPLE

- A nonprofit organization holds a fundraising banquet in Scottsbluff.
- The total price of a ticket to this event is \$250.
- The fair market value of the meal is \$50.

See the difference in the amount of sales tax due depending on how the ticket price is stated:

A		B	
Meal	\$ 50.00	Ticket	\$250.00
Donation	\$196.50		
Sales Tax (Scottsbluff 7%)	\$ 3.50	Sales Tax (Scottsbluff 7%)	\$ 17.50
Total	\$250.00	Total	\$267.50

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4. When Nonprofits Make Sales (continued)

EXCEPTIONS

ONLY schools, school organizations, and religious organizations may make certain sales tax exempt.

Refer to:
[Nebraska Taxation of Nonprofit Organizations information guide;](#)
[Sales and Use Tax Responsibilities of Elementary & Secondary Schools, Parent-Booster Clubs, Parent-Teacher Associations,](#)
[& Student Organizations;](#)
[and Sales and Use Tax Regulations](#)
[1-091 – Religious Organizations,](#) and [1-092 – Educational Institutions](#)
for additional information.

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5. CONSTRUCTION CONTRACTS WITH EXEMPT ENTITIES

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5. CONSTRUCTION CONTRACTS WITH EXEMPT ENTITIES

Form 17

“Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax”

- Supports why tax was not paid or collected on building materials and fixtures for construction projects with exempt entities.

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5. Contracts with Exempt Entities

(continued)

PRIME CONTRACTORS

- Receive Form 17 from project owner PRIOR TO the start of the project.
- Complete the lower portion.
- Provide copies to any subcontractors on the project so they can buy building materials and fixtures tax-exempt.

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Form 17

REVENUE		Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax		FORM 17
PURCHASING AGENT APPOINTMENT				
Name and Address of Prime Contractor		Name and Address of Governmental Unit or Exempt Organization		
Name		Name		
Street or Other Mailing Address		Street or Other Mailing Address		
City	State Zip Code	City	State	Zip Code
Name and Location of Project		Appointment Information		
Name		Effective Date (see instructions)		
Street or Other Mailing Address		Expiration Date		
City	State Zip Code	Religious Exemption Number (Exempt Organizations Only)		
Identify Project				
The undersigned governmental or exempt organization appoints the above-named contractor and the contractor's delegated subcontractors as its agent to purchase and pay for building materials that will be utilized by them into the tax-exempt construction project stated above.				
sign here		Authorized Signature of Governmental Unit or Exempt Organization Title Date		
DELEGATION OF PRIME CONTRACTOR'S AUTHORITY				
Name and Address of Subcontractor		Delegation Information		
Name		Effective Date		
Street or Other Mailing Address		Expiration Date		
City	State Zip Code	Portion of Project		
The undersigned prime contractor hereby delegates authority to act as the purchasing agent of the named governmental unit or exempt organization to the above-named subcontractor.				
sign here		Signature of Prime Contractor or Authorized Representative Title Date		

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5. Contracts with Exempt Entities

(continued)

- **ONLY** building materials and fixtures that become annexed to real estate may be purchased tax exempt.
- Contractors **MUST** pay sales or use tax on all purchases or rentals of equipment, tools, and taxable services used to complete the project.

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5. Contracts with Exempt Entities

(continued)

Routine, On-call Repair for Exempt Entities

Contractors who are on-call for exempt entities may obtain a Form 17 for routine, on-call repair.

- There must be a written agreement.
- One year period of time only.

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